

Approved For Release 2008/05/09 : CIA-RDP83M00171R002100190010-4

SUBJECT: Revised Assessment

Papers

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POLICY REVIEW COMMITTEE (INTELLIGENCE)

DCI/RM-78-5137
14 November 1978

MEMORANDUM FOR: PRC(I) Working Group

FROM: Walter Elder
Secretary

SUBJECT: Revised Assessment Papers

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REFERENCE: Major Outputs of the National Foreign
Intelligence Program, DCI/ICS-78-
1206, dtd 23 October 1978

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25X1 1. The attached corrected pages to the draft
assessment on economic intelligence support, prepared
by the Department of Treasury are forwarded for your
consideration. The revised pages take into account the
comments made by JCS and OSD.

25X1 2. Also enclosed is a matrix for the economic
policy issues or concerns in response to the Chairman's
suggestions (reference).

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Attachments:
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NOVEMBER 13, 1978

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TRADE AND INVESTMENT

A. Factors Affecting Intelligence Needs - The magnitude of recent U.S. trade deficits is a matter of serious concern and the problem is expected to continue for a number of years. Implementation of the President's new aggressive export policy will therefore receive considerable attention from national policymakers. The related problem of the increasing competitiveness of foreign imports in major sectors (steel, automobiles, electronics, etc.,) will also be of high interest. Bilateral negotiations on trade issues will intensify and multilateral discussions under the GATT and in regional forums will continue, though at a somewhat diminished pace following the conclusion of the MTN.

B. Intelligence Support Needed - In the trade and investment area the finished analytical intelligence products are of significant help to the policymakers. They pull together considerable data, both classified and unclassified, in a form that provides new insights and useful background for policy decisions. Of unique importance, however, is the close support for both bilateral and multilateral discussions, where advanced information on other country's positions, ^{and reasons therefore,} can often directly assist the U.S. negotiator to obtain the best agreement possible. The major issues on which NFIP collection and analytical support can now be foreseen to be desirable:

1. Export opportunities not publicly available, particularly major capital projects and purchases by foreign governments.
2. Policy, practices, terms and side inducements or linkages on export credits extended by Western European countries and Japan, especially to the USSR, Eastern Europe and the PRC.
3. Foreign attitudes toward U.S. investment and exports, especially restrictive factors or regulations, (either U.S. or foreign). Policies which directly or indirectly discriminate against the U.S., including new protectionist techniques and subsidies to protect domestic industries and promote exports.
4. Developments affecting production and trade in major sectors which affect the U.S., including early warning of countries and industries preparing for significant export expansion. Specific examples are investment strategy and government

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INTERNATIONAL COMMODITY AND NATURAL RESOURCES POLICIES

A. Factors Affecting Intelligence Needs - The concerted political efforts of the less developed countries (LDC) to obtain a larger share of the world's production together with the recognition by the developed countries (DC) that economic cooperation and development are advantageous to all countries, will result in an increased number of proposals to change established international marketing arrangements. These attempts to influence the system for exchanging resources may evolve from negotiations among interested producing and consuming countries, as is envisaged in the Integrated Commodity Program associated with the Common Fund, or from concerted action by producing or consumer countries with respect to selected natural resources. Other factors, such as conservation and environmental considerations, require international negotiations and affect the marketing system for the natural resources involved. The United States depends on an orderly flow of raw and semi-processed materials and is vitally concerned with any proposal to alter international commodity exchange arrangements to our disadvantage.

B. Intelligence Support Needed - For many important natural resources the market furnishes reliable information on significant short-term economic trends. However, the movement toward international negotiations and other forms of group action results in a need for continuous assessments by the intelligence community of selected commodity and other natural resource situations in light of the economic, political and military factors involved. Especially needed are timely estimates of the negotiating positions of the countries and groups of countries and the degree of flexibility in these postures. Major needs include:

1. Collection and analysis of information related to the factors which influence the process of key less developed countries in formulating negotiating positions for selected commodities, such as wheat, coffee, cocoa, rubber, sugar, tin and copper and for certain comprehensive commodity-related issues, such as a Common Fund to assist in financing eligible commodity arrangements.

2. Similar information for the developed countries, particularly with respect to policies and positions on the Common Fund.

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- 6 -

3. Collection and analysis of information on intentions and plans of non-governmental groups or of countries, mainly the LDC's, to intervene in international commodity trade, often to the disadvantage of the U.S. For example, coffee producers periodically meet to see what can be done to hold up coffee prices.

4. Early assessment of country positions and their flexibility with regard to the economic issues in the continuing Law of the Sea negotiations, including country reactions to prospective unilateral actions by the U.S. and other developed countries to mine the seabed.

5. Information on supply, demand and movement of uranium and other military-related commodities.

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C. Adequacy of Current Output

Item 2 was covered less than adequately by the intelligence agencies, but collection has shown improvement in recent months, as have collation and analysis.

Collection is adequate for Item 3: coffee, tin, rubber and probably for other internationally traded commodities mentioned in Item 1; the problem is to maintain vigilance regarding possible intervention in the production and movement into international markets of these and other national resources of interest to the United States.

Collection on Item 4 by the intelligence agencies, [] [] has been useful and the collation and analysis of country positions by OER were particularly helpful.

As a generalization of the foregoing, the technical complexity of many national resource issues together with the growing number of countries participating in the negotiating process brings about a critical need for the intelligence community to prepare timely analytical summaries for the policy agencies. Valuable efforts have been made on Law of the Sea and Common Fund issues.

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USSR - EASTERN EUROPE - PRC

A. Factors Affecting Intelligence Needs - Economic relations with these principal non-market economy nations have become increasingly important to our overall trade balance and they are expected to continue to offer significant markets for U.S. exports. Overall U.S. national policy calls for strengthening these relations and increased policy interest in these areas can be expected. Economic relations with the PRC are growing and if normalization occurs during this period a major expansion would occur. The pattern of annual meetings of the bilateral economic commissions with the USSR and Eastern Europe countries is expected to continue.

B. Intelligence Support Needed - Because of the problems of acquiring even overt information on these areas, economic customers depend more than usually on the intelligence community for both collection and analysis of internal and international economic developments. Continuation of coverage of these areas in regular OER publications is desirable. Demand by customers for special studies will probably increase particularly on the PRC. Support for meetings of the USSR and Eastern European commissions, grain negotiations and frequent bilateral contacts on economic subjects will also be needed. In the military area the policy for planning the employment of nuclear weapons (NSDM 242) requires intelligence on economic targets critical to postwar power influence. Areas of particular interest are as follows: ^{25X1}

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